

## **SECTION 5**

# **EFTPS EXPRESS ENROLLMENT & FTD PENALTY RELIEF**

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### **EFTPS Express Enrollment**

The Internal Revenue Service has launched a new program for new business taxpayers designed to boost electronic payment of taxes. This development offers some taxpayers new, quicker access to an electronic payment system.

This initiative will be available using the [Electronic Federal Tax Payment System](#) (EFTPS), a service offered free by two bureaus of the U.S. Department of the Treasury, IRS and the Financial Management Service (FMS). In fiscal year 2003, Treasury collected more than \$1.5 trillion in electronic tax payments through EFTPS, and the launch of this new initiative will help increase growth in those numbers in tax year 2004. EFTPS enables taxpayers and tax professionals to make federal tax payments electronically online, by phone, or with batch provider software for professionals.

EFTPS Express Enrollment for New Businesses will affect all businesses receiving a new Employer Identification Number (EIN). Business taxpayers with a federal tax obligation will be automatically pre-enrolled in EFTPS to make all their federal tax deposits.

In addition to receiving their EIN, taxpayers will also receive a separate mailing containing an EFTPS Personal Identification Number (PIN) and instructions for activating their enrollment. New business taxpayers will activate their enrollment by calling an 800-number, entering their banking information and completing an authorization for EFTPS to transfer funds from their account to Treasury's account for tax payments per their instructions.

*"There are approximately 250,000 new EINs issued every year. With EFTPS Express Enrollment, we are making it even easier for business taxpayers to make their business payments electronically," said IRS Commissioner Mark W. Everson.*

*"Paying taxes using EFTPS means 19 times greater accuracy," said Dick Gregg, FMS Commissioner. "Greater accuracy means fewer penalties. I encourage individuals and businesses to enroll today."*

Taxpayers can enroll in EFTPS by visiting the EFTPS-Online web site at [www.eftps.gov](http://www.eftps.gov), or by calling EFTPS Customer Service at 1-800-555-4477 or 1-800-945-8400 to receive an enrollment form by mail.

### **EFTPS Express Enrollment- Frequently Asked Questions and Answers**

#### **Q1) What is Express Enrollment for New Business?**

**A1)** Express Enrollment for New Businesses allows business taxpayers with a federal tax obligation to begin making their Federal Tax Deposits (FTDs) more

## **SECTION 5**

### **EFTPS EXPRESS ENROLLMENT & FTD PENALTY RELIEF**

---

quickly and accurately through EFTPS- Electronic Federal Tax Payment System. When they receive any Employer Identification Number (EIN) from the IRS, they will be pre-enrolled in EFTPS so they can make all their payments electronically, online or by the phone.

#### **Q2) How does Express Enrollment for New Businesses Work?**

**A2)** Beginning in January 2004, all businesses issued a new EIN will be pre-enrolled in EFTPS to make their federal tax payments if they will have federal tax obligations. In addition to receiving their EIN, they will also receive a separate mailing containing instructions for activating their EFTPS enrollment.

#### **Q3) Who can use Express Enrollment for New Businesses?**

**A3)** After January 1, 2004, all businesses requesting a new EIN that also indicate federal tax obligations and receive the EFTPS enrollment activation mailing (including their PIN), can use Express Enrollment for New Businesses.

#### **Q4) Can businesses still use Federal Tax Deposit (FTD) coupons?**

**A4)** The taxpayer will receive from the IRS their EIN, IRS Notice (CP575) and one coupon. Thereafter, taxpayers will have the option to order FTD coupons from the IRS if they wish to make additional payments by check, but that will require waiting 5-6 weeks for coupons to arrive by mail.

#### **Q5) How does this differ from regular EFTPS?**

**A5)** Usually taxpayers enroll in EFTPS by completing a paper enrollment Form 9779, or by going online ([www.eftps.gov](http://www.eftps.gov)) to enter their information. Once the taxpayer's enrollment information is received by EFTPS, it takes approximately two weeks to process. Express Enrollment completes the enrollment step in advance for new businesses with tax obligations. Once taxpayers activate their EFTPS enrollment, they can make payments by phone. If they choose to obtain an Internet Password, they can also make payments online.

#### **Q6) How do taxpayers activate their EFTPS enrollment?**

**A6)** Taxpayers receive instructions by mail shortly after receiving their EIN. They are instructed to follow these steps to activate their EFTPS enrollment:

1. Call the 800-number listed in their EFTPS PIN package. Follow the instructions they hear from the voice response system.
2. Enter their financial institution information (bank and account number).
3. Choose to have the bank verify that the account number entered is a valid number. **Note:** *If taxpayers chose not have their bank account number verified, they can begin making payments after all the activation steps have been completed by calling the EFTPS payment number. If they wish to have their account verified, it will delay making a payment by approximately six business days. Taxpayers are responsible for the accuracy of the number they entered. If it is incorrect, their financial*

## **SECTION 5**

### **EFTPS EXPRESS ENROLLMENT & FTD PENALTY RELIEF**

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*institution may return the payment and the taxpayer may incur an IRS penalty for late payment.*

4. Authorize withdrawals of electronic payments from their account.
5. Enter their phone number.
6. Write down the EFTPS confirmation number.
7. The voice response system will offer taxpayers the option of obtaining an Internet Password so they can make payments online.
8. Within 7-10 days taxpayers will receive an EFTPS Confirmation/Update package by mail that contains a Confirmation/Update Form, an EFTPS Payment Instruction Booklet and an Internet Password Brochure.

EFTPS dedicated Customer Service numbers are listed for taxpayers to call with any questions, 24 hours a day, 7 days a week: 1-800-555-4477 or 1-800-945-8400.

#### **Q7) Can taxpayers use the Internet right away to make payments?**

**A7)** Yes. Once taxpayers activate their enrollment and obtain an Internet password by phone, they can make payments immediately (online or by phone) if they chose not to have their bank account verified. If they chose to have their bank account number verified, they will need to wait an additional six business days for completion of the verification process.

#### **Q8) How will taxpayers know if their payments have been made?**

**A8)** For each payment made through EFTPS, the taxpayers receive an immediate acknowledgement number that can be used to track the payment and communicate with IRS. This acknowledgement number acts as a receipt for the payment. Taxpayers can go online or call EFTPS Customer Service to verify payments and review up to 16 months of their payment history.

#### **Q9) What if business taxpayers choose not to activate their EFTPS enrollment?**

**A9)** While taxpayers have the option not to activate their EFTPS enrollment, EFTPS will periodically encourage taxpayers, via mail, to consider using EFTPS.

#### **Federal Tax Deposit (FTD) Penalty Relief**

The Internal Revenue Service (IRS) has announced nationwide implementation of the FTD-EFTPS penalty refund offer. This offer allows paper coupon users who were assessed a Form 941 deposit penalty the opportunity to receive a one-time penalty refund. To qualify, the employer must:

- Use EFTPS for one year (four consecutive quarters),
- Make all their Form 941 payments on time and,
- Fully pay the penalty.

## **SECTION 5**

# **EFTPS EXPRESS ENROLLMENT & FTD PENALTY RELIEF**

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In April 2005, after the returns are filed for the fourth quarter of 2004, the IRS will automatically determine which employers have achieved the 4 quarters of EFTPS compliance and reverse the taxpayer's most recent full-paid FTD penalty. The refunds will be issued on a quarterly basis following the scheduled Form 941 due dates.

The IRS computer will look back up to 4 quarters prior to your 4-quarter compliance period for a fully paid FTD penalty to refund. So you will want to enroll and use EFTPS for four quarters before your most recent penalty is too far in the past to be refunded. The IRS computer will automatically refund the penalty if you qualify. For example, if you use EFTPS for all four quarters in 2004, the computer will look back as far as the quarter beginning January 1, 2003, for a full paid FTD penalty.

Every quarter, beginning in early 2005, the IRS computer will look for accounts that have met the qualifications and automatically refund the most recent penalty incurred prior to the start of your 4-quarter EFTPS compliance period.

### **Federal Tax Deposit (FTD) Penalty Relief- Frequently Asked Questions and Answers**

#### **Q1) Why should I use EFTPS?**

**A1)** It's fast, easy, accurate, and secure. There are verification steps along the way that eliminate 90% of paper coupon errors. It is available 24 hours a day, 7 days a week, even when you're away from home. Plus, you receive an Electronic Funds Transfer (EFT) Acknowledgement Number, and you can review all electronic payments made within the last 16 months.

#### **Q2) Does the IRS have access to my checking account?**

**A2)** No. The IRS does not have access to the account when the employer initiates tax payments through EFTPS. The Financial Management Service, a separate division of the Department of Treasury, operates EFTPS. What is sent to IRS is confirmation that the payment has been made, so that the credit can be posted to your account.

#### **Q3) Do I have to start using EFTPS at the beginning of the calendar year in order to qualify for the refund?**

**A3)** No, the first quarter counted toward your 4-quarters EFTPS use does not have to be at the beginning of the calendar year. If you do not enroll in time to use EFTPS for that quarter, you can start your 4-quarters EFTPS use at the beginning of any later quarter.

#### **Q4) I'm in a seasonal business, and, in some quarters, I don't have any employees. Will these quarters still count for EFTPS use?**

## **SECTION 5**

### **EFTPS EXPRESS ENROLLMENT & FTD PENALTY RELIEF**

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**A4)** Seasonal employers must use EFTPS for four quarters too, but those four quarters may be spread out over more than 12 months.

**Q5) Do I have to pay the penalty that was assessed?**

**A5)** Yes, but if you qualify for the refund, we'll refund the money with interest. The penalty won't be refunded if you do not pay the penalty quarter in full.

**Q6) Which penalty will be refunded?**

**A6)** The most recent penalty incurred prior to the start of your 4-quarter compliance period will be refunded. The computer will look back up to 4 quarters to find a fully paid FTD penalty.

**Q7) If I receive a penalty refund and stop using EFTPS, can I qualify a second time?**

**A7)** No. This is a one-time offer.

**Q8) If I stop using EFTPS before the 4-quarters compliance period ends, can I start over?**

**A8)** Yes. You can start your new 4-quarters compliance period at the beginning of the next quarter.

**Q9) How long do I have to claim the refund?**

**A9)** The IRS computer will look back up to 4 quarters prior to your 4-quarter compliance period for a fully paid FTD penalty to refund. So you will want to enroll and use EFTPS for four quarters before your most recent penalty is too far in the past to be refunded. The IRS computer will automatically refund the penalty if you qualify. For example, if you use EFTPS for all four quarters in 2004, the computer will look back as far as the quarter beginning January 1, 2003, for a fully paid FTD penalty.

**Q10) How will I get my penalty refund?**

**A10)** IRS will issue a check. Every quarter, beginning in early 2005, the IRS computer will look up for accounts that have met the qualifications and automatically refund the most recent penalty incurred prior to the start of your 4-quarter EFTPS compliance period.

**Q11) How long will it take to receive the refund?**

**A11)** The first refunds are scheduled for late April of 2005 after IRS has finished processing the Form 941 returns for the 4<sup>th</sup> quarter of 2004. However, if you have outstanding tax liabilities, the refund will first be applied to those liabilities and the excess, if any, will be refunded.

**Q12) Some quarters I send IRS a check with my return, will I still qualify for the penalty refund?**

## **SECTION 5**

### **EFTPS EXPRESS ENROLLMENT & FTD PENALTY RELIEF**

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**A12)** No. To qualify for a refund, you must use EFTPS to pay all Form 941 taxes for all four quarters. This includes any payments that are due with the return.

**Q13) If I'm already signed-up for and using EFTPS for all my Form 941 payments, will I qualify for the refund if I was assessed an FTD penalty before I started using EFTPS?**

**A13)** Yes. Employers who began using EFTPS prior to the opening of the offer won't be disqualified. When the first batch of refunds is issued in 2005, the IRS computer will look for quarters of EFTPS use. Each consecutive "extra" quarter (up to four) will extend the refund look-back period by a quarter, provided the statute of limitations for issuing the refund is not expired.

**Q14) I am required to use EFTPS. Will I qualify for a refund?**

**A14)** No. The offer is open to voluntary EFTPS users. However, if you begin your 4 quarters of EFTPS compliance before you are required to use EFTPS, you will not be disqualified.

**Q15) What if I have additional questions about the penalty refund offer?**

**A15)** First, review IRS Publication 4048, Special IRS Penalty Refund Offer Effective January 2004. Then, if there are additional questions about the Penalty Refund Program, call the Business and Specialty Tax Lines at 800-829-4933 or TPS Customer Service at 800-555-4477 or 800-945-8400. You can learn more about EFTPS at [www.irs.gov](http://www.irs.gov) or [www.eftps.gov](http://www.eftps.gov).